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BUDGETARY PROCEDURE UNDER THE MANAGER FORM OF CITY GOVERNMENT

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Forty-five cities have at the present writing adopted the commission manager form of government, which is modeled upon the organization of private corporations, and which plan, more than any other, it is believed by its adherents, lends itself most readily to the development of an efficient administration of city business. It is logical and rational because it recognizes the fact that managing a municipality is a specialized profession and cannot be left to merchants, manufacturers or mechanics.

What have these cities under the manager plan of government accomplished in the way of efficiency and economy? Scanning a list of achievements enumerated by Richard S. Childs in the July number of the *National Municipal Review*, it is found that Dayton, in 1914, by an increase of \$77,709 in its operating expense over the year 1913, gave \$140,000 worth of new service under the new régime; Springfield reduced its operating expense by \$50,000, wiped out a floating debt of \$100,000 and was getting more service than before; La Grande reduced \$110,000 of outstanding warrants by \$35,000 during the first year; Manistee saved \$20,000 on a budget of \$104,000 and at the same time increased the service; Cadillac reduced its annual operating expense by \$6,000, at the same time improving the service.

Such results give evidence not only of adherence to the fundamental principle in city business—keeping expenditures within the income—but also of having planned expenditures so as to produce a maximum of returns. In private business the expenditures determine the income. Under normal conditions, every dollar spent means a dollar plus of returns. On the other hand, the income of a city is limited to a definite amount, while the needs as a rule seem infinite. It is, therefore, essential under these conditions to prepare a budget by which one benefit can be weighed against another and

the money apportioned according to benefits to be derived. This seems to have been done by the commission-manager cities, but whether in a scientific manner or not is another question. At least it was done in an effective manner.

Data were received from the following cities:

Manistee, Mich.....	12,381	\$90,453.00
Titusville, Pa.....	8,533	58,819.79
La Grande, Ore.....	4,843	103,800.00
Abilene, Kans.....	4,118	36,169.00
Hickory, N. C.....	3,716	65,320.00
Montrose, Colo.....	3,252	23,615.00
Morris, Minn.....	1,685	37,000.00
River Forest, Ill.....	2,456	20,640.23
Dayton, Ohio.....	123,800	1,303,467.11 ¹

¹ For current operating expenses only.

Taking the budgetary provision of the charters as a basis, the cities enumerated above may be divided into two groups—Dayton comprising one and the remaining cities the other. In the cities of the second group the charters provide merely that at a certain time each year the commission shall cause to be prepared or that the manager shall prepare a list of receipts from all sources and detailed estimates setting forth the necessary expenditures for all purposes for the ensuing year. Neither the nature of the information desired, nor the extent of the detail required, are specified.

However, from information gathered, it is found that the city managers base their requests upon detailed information of expenditures during past and current periods. Furthermore, because of the small size of the cities and the correspondingly small amounts involved, the managers and even the appropriating bodies have intimate and detailed knowledge of work done and work proposed, of the need and the cost. An example of this is furnished by Morris, Minnesota, where "unit costs of all work and a statement of expenditures are made bi-monthly. The progress and plan for all work is discussed at the weekly commission meeting."

Appropriations are made for each department, without being functionalized and not according to a uniform classification. Although the budgets are unscientific in form, they seem to work out satisfactorily in practice. In formulating the budget, the executive

in every instance obtains all the information necessary for the presentation of sound estimates and intelligent recommendations.

It is evident from the results achieved that not only was an adequate relationship between receipts and expenditures established and maintained, but that expenditures were made according to a well considered program. While such informal methods apparently proved satisfactory from an administration standpoint and did not hinder willing officials from operating efficiently, it must be remembered that city officials are not alone interested in the budget. The public also is vitally interested in how its money is being spent and it is therefore incumbent upon those preparing the budget to present to the public in a concise and clear manner such statements as will assist the layman in comprehending intelligently how and why funds are being apportioned in the specific manner in which they are. Comparative summaries of receipts and expenditures of past and current periods should be prepared, the financial status should be explained through a debt statement and balance sheet, and appropriations should be made in such manner as to make clearly evident the definite purposes for which the funds will be spent. This information is essential for efficient financial control in small as well as large cities.

Dayton, Springfield, and Sandusky operate under similar budgetary provisions in their charters, but because of the size of the city and the fact that all department heads are appointed, by the manager, the success or failure of Dayton's government has a special significance and its budget is of a correspondingly peculiar interest. In the smaller municipalities, where the managers know every minute of the day the status of all activities, noteworthy economy seems to have been effected even with unscientific budgets. In Dayton, however, with a budget of \$1,303,000 for current operation only, the manager cannot without a formal system of budgetary procedure determine intelligently the amounts necessary for the various functions, nor can he without a functionalized work-program judge the efficiency of his department heads. Furthermore, a painstaking and concise exposition of the finances of the city must be made for the information of the public.

Prior to January 1, 1914, under the federal plan of government, Dayton operated under an inadequate and unscientific budget and the result was government by deficit. Twice a year, the finance

committee of the council prepared a six months' budget based upon requests from department heads. These requests were not sufficiently detailed, nor did they contain adequate supporting data of past expenditures to substantiate the new demands. The finance committee based its recommendations upon the last appropriations without knowing how efficiently the money was spent, and council then made its appropriations in more or less aggregate sums. These appropriations were not necessarily kept within the estimated income and as a result for six successive years a deficit of \$60,000 per year was created. Public hearings upon the budget were not held.

Since January 1, 1914, Dayton has been operating under a commission manager charter of which the provisions governing the appropriations are as follows:

The fiscal year of the city shall begin on the first day of January. On or before the first day of November of each year the city manager shall submit to the city commission an estimate of the expenditure and revenues of the city departments for the ensuing year. This estimate shall be compiled from detailed information obtained from the several departments on uniform blanks to be furnished by the manager. The classification of the estimate of expenditures shall be as nearly uniform as possible for the main functional divisions of all departments, and shall give in parallel columns the following information:

- a. A detailed estimate of the expense of conducting each department as submitted by that department.
- b. Expenditures for corresponding items for the current fiscal year, including adjustments due to transfers between appropriations plus an estimate of expenditure necessary to complete the current fiscal year.
- c. Expenditures for corresponding items for the last two fiscal years.
- d. Amount of supplies and materials on hand at the date of the preparation of the estimate.
- e. Increase or decrease of requests compared with the corresponding appropriations for the current year.
- f. Such other information as is required by the commission or that the city manager may deem to be advisable to submit.
- g. The recommendation of the city manager as to amounts to be appropriated with reasons therefor in such detail as the commission may direct.

It is realized that the wording of the above section which provides that the "classification shall be as nearly uniform as possible for the main functional divisions of the departments" is no longer applicable, and should read "shall be uniform for the main functional divisions. . . ." In practice the latter interpretation is carried out.

The Dayton budget for 1915 does not include a program for

permanent improvements to be paid out of bonds, but except for this phase it is complete and according to scientific standards of budget procedure. Based upon a detailed estimate of revenue from all sources except bond sales, appropriations are made in accordance with a uniform classification of expenditures for each functional division.

The following sections go to make up the 1915 budget:

- Classification of expenditures;
- Estimated income by source;
- Summary of expenditures by objects purchased;
- Summary of expenditures by organization units and according to objects purchased;

Appropriation ordinance including detailed appropriations to each function, in accordance with a uniform classification.

All the receipts of the city coming from taxes and miscellaneous sources go into one fund called the general fund. From this fund all appropriations are made to each departmental division, by character of expenditure, which is divided into two main groups,—current operation and capital outlay. Under each of these groups appropriations and allotments are made in accordance with the following classification:

A. Personal Service

Personal service is direct labor of persons in the regular or temporary employment of the corporation.

1. Salaries.
2. Wages.

B. Contractual Services

Contractual services are activities performed by other than municipal departments, under expressed or implied agreement, involving personal service plus the use of equipment or the furnishing of commodities.

1. Communication.
2. Contractual Repairs.
3. Hire of Equipment.
4. Insurance.
5. Public Utility Services, N. O. S.
6. Special Service.
7. Traveling.
8. Other Contractual Services.

C. Sundry Charges

Sundry charges include those outlays legally or morally obligatory upon the city as a public corporation and trustee.

1. Contributions.
2. Debt Service.

3. Depreciation.
4. Imprest Cash.
5. Pensions.
6. Refunds and Claims.
7. Taxes.

D. Supplies

Supplies are commodities of a nature which after use show a material change in, or an appreciable impairment of, their physical condition; and instruments liable to loss, theft, and rapid depreciation.

1. Chemicals, Drugs, and Medicines.
2. Clothing, Dry Goods, and Notions.
3. Food Products.
4. Forage.
5. Fuel.
6. Minor Instruments.
7. Oils and Lubricants.
8. Stationery.
9. Other Supplies.

E. Materials

Materials are commodities of a permanent nature,—in a raw, finished or unfinished state,—entering into the construction, renewal, replacement or repair of any land, building, structure or equipment.

1. Lumber.
2. Machine and Metal Materials.
3. Masonry.
4. Paints, Oils, and Glass.
5. Other Materials.

F. Equipment

Equipment comprises the live stock, furniture, machinery, implements, vehicles, and apparatus necessary and useful in the operation of the corporation, and which may be used repeatedly without appreciable impairment of their physical condition, having a calculable period of service.

1. Furniture and Furnishings.
2. Live Stock.
3. Machinery and Implements.
4. Motor Vehicles.
5. Vehicles and Harness.
6. Miscellaneous.

G. Lands, Buildings, and Structures,—By Purchase

Supplies are classified according to the nature of the goods and not according to the use to which they might be put; for instance, gasoline is listed under oils and not under fuel.

The appropriation ordinance, which has been found satisfactory for the past two years, is as follows:

AN ORDINANCE

To make the general appropriations for the year 1915.

WHEREAS, It is necessary in order to provide for the immediate preservation of the public peace, property, health and safety, and to provide for the usual daily operations of the municipal departments that the general appropriations for the year 1915 be made at once:

Be it ordained by the Commission of the City of Dayton:

SECTION 1. That there shall be and hereby is appropriated out of any moneys in the treasury, or any accruing revenues of the city available for said purposes, the sums of money set forth in the column marked "Appropriations" for the various purposes hereinafter specified for the payment of all expenses and obligations of the city during the year 1915. The positions designated herein are hereby created and the rate of wages or price per unit of any of the items hereinafter set forth shall not be greater than that indicated. Any additions to salary or wage, or the creating of new positions shall be by ordinance. Each department shall limit its expenditures for the various purposes set forth in the ordinance to the amounts appearing in the columns marked "Expense" unless the City Manager shall expressly authorize a transfer from one schedule to another. The amounts appropriated for the various purposes hereinafter set forth shall in no event be exceeded unless by specific authority of the Commission, by ordinance, authorizing a transfer from one fund to another.

All books of accounts, warrants, orders and vouchers, or other official reference to any appropriation, shall indicate the appropriated fund involved or to be drawn upon by the code number set forth in the column marked "Code" as herein-after set forth.

A typical section of the detailed appropriation to a functional sub-division is as follows:

DEPARTMENT OF SERVICE

DIVISION OF WATER

Bureau of Pumping and Supply

Expense

Personal Service

			Schedule	Expense	Appropriations
80 A 1	Salaries				
	Chief Engineer (1)...	\$1,800 per yr	\$1,800.00		
	Engineers (3).....	1,350 per yr	4,050.00		
	Firemen (3).....	900 per yr	2,700.00		
	Oilers and Wipers (3)	1,095 per yr	3,285.00		
	Janitor (1).....	900 per yr	900.00	\$12,735.00	
80 A 2	Wages				
	Boiler Cleaners (3)	\$3.00, 313 days	\$939.00		
	Steamfitter and				
	machinist	4.40, 313 days	1,377.20		
	Laborers.....	2.00, 1,760 days	3,520.00	5,836.20	\$18,571.20

Contractual Services			
81 B 2	Contractual Repairs.....	\$2,500.00	
81 B 5	Public Utility Service, N. O. S.....	10,000.00	
81 B 6	Special Service.....	1,200.00	13,700.00
Supplies			
82 D 1	Chemicals, Drugs and Medicines....	\$250.00	
82 D 2	Clothing, Dry Goods and Notions...	100.00	
82 D 5	Fuel.....	18,000.00	
82 D 6	Minor Instruments.....	500.00	
82 D 7	Oils and Lubricants.....	2,000.00	
82 D 8	Stationery.....	50.00	
82 D 9	Other.....	50.00	20,950.00
Materials			
83 E 2	Machine and Metal Materials.....	\$900.00	
83 E 4	Paints, Oils and Glass.....	50.00	
83 E 5	Other.....	200.00	1,150.00
<i>Capital Outlay</i>			
Equipment			
84 F 3	Machinery and Implements.....		250.00
Total.....			<hr/> \$54,621.20

While funds are appropriated in great detail for specific purposes, the appropriation ordinance provides sufficient flexibility for practical purposes. Without going into the advantages or disadvantages of a functionalized budget the fact remains that for Dayton, its budget worked and proved effective for control of expenditures. Merely with the consent of the manager a department head may interchange funds freely within the column marked "Expense"—as for example, the manager may authorize transfers from code 82 D 1 to 82 D 7, etc., but to make a transfer from one appropriation to another, as from code 81 B 5 to 82 D 1 the authorization of the commission is necessary. Thus though allowing adequate flexibility, a positive control over the budget is retained by the manager.

In addition to the above mentioned sections comprising the budget, there remains collective and supporting data not incorporated but which is furnished the manager and the commission, and informs them of the work done and the cost of operating the various functions of the community.

The method employed in Dayton for preparing the budget is the same as that in other similarly governed cities. The manager receives the estimates from the departments on uniform sheets furnished by him. These estimates are gone over by him with the

respective department heads, at which time definite data in the form of records must be submitted to the manager before he recommends amounts to be allowed by the commission. Before submitting his budget to the city commission, the manager has reduced the total request to within the estimated income for that year. The commission then reviews the budget with the manager, receives his explanation for the recommendations made and makes such changes as it sees fit. It may be noted that in Dayton, except for a few minor revisions after discussions at the public hearings, the budget was passed practically as the manager recommended.

The effectiveness of the Dayton form of budget and the control over funds which it affords was demonstrated in 1914, when the manager was able by following the budget to turn a probable deficiency into an actual surplus at the end of the year. In June, due to a threatened shrinkage in receipts, the departments were notified that a reduction in appropriations might be necessary. Immediately upon receiving the final returns from taxes for the year, on August 31st, cuts in the budget were made amounting to \$45,000. This reduction in appropriations was made, however, in sufficient time to allow of a revision of the work-program of the several departments, and, without having eliminated any major functions, or discharged any employe, resulted at the close of the year in a balance of \$5,600 remaining in the treasury. This presents a significant contrast to conditions under the old régime, when for a succession of six years an annual deficit of \$60,000 was incurred and the police and fire departments were reduced in numbers, all because a properly classified budget and adequate accounting to supplement such budget were lacking.

For 1916, it will be recommended that the budget of Dayton be elaborated in accordance with the procedure proposed for New York City by the New York Bureau of Municipal Research, and which has been adopted with modifications by Springfield, Mass., upon the recommendation of its local Bureau of Municipal Research. The plan calls for the following:

1. An explanatory text by the city-manager explaining new features necessitating requests for funds.
2. A financial program with a resolution fixing the revenue.
3. An appropriation ordinance prepared in the form in which the city-manager desires it to be passed.

4. Supporting data consisting of

Summaries of financial statements, comprehending

- Balance sheet
- Operating account
- Surplus account
- Debt statement
- Fund statement

Summaries of estimates, comprehending

Comparative summary of actual and estimated revenues, showing actual revenues for the past two years and estimated revenues for the next ensuing year.

Comparative summary of actual and estimated expenditures, showing actual expenditures for the past two years, and estimated expenditures for the next ensuing year, classified by

“Organization units”

“Functions” or kinds of activity

“Objects of expenditure” or things purchased

“Character of expenditure” distinguishing expense from capital outlay, fixed charges, and contingencies and losses

“Funds” or classes of funds to be charged.

Supporting detailed schedules of estimates, comprehending

Detailed analysis of comparative, actual and estimated revenues classified according to

Character or method of raising

Organisation units in which they occur

Scientific budgets are not inherent to the commission manager form of government, but this scheme of government is constitutionally the most conducive to the promulgation of a logical budget. The fiscal policy is an executive problem. The executive is responsible for the proper functioning of the various city departments, and it is to him that the success or failure of an administration is accredited. It is his duty to plan the work to be carried on and it is within his province to know what funds are necessary for the proper execution of his plans. To the executive, therefore, should be granted the power to initiate financial measures, and to the legislative body should remain the duty of authorizing funds and holding the executive accountable for results proportionate to the expenditure of funds.

Such a state of affairs has not been easy of attainment under the federal plan of government prevalent in American cities.

Dayton's condition prior to January 1, 1914, is typical of that to be found in hundreds of cities today. Under a modified form of the federal plan, members of council, the mayor, auditor,

treasurer and solicitor were elective officials. The heads of the departments of public service and public safety were appointed by the mayor, as were the members of the Park Board and Board of Health.

The budget was made up by the finance committee of council, from estimates submitted to them independently by each department head. This committee conducted hearings with the city officials, and in it resided the power to determine what salary increases should be granted, and what the work program for the ensuing year should be. The tentative budget was then presented to council which passed it, without inquiring further into the merits of the appropriations, except to assure themselves that favorite sons were receiving the salary increases and that their respective districts would be benefited to some extent. In other words, the legislative body of the government controlled administrative problems.

The mayor, who was supposed to be the head of the city and responsible for the administration of affairs during his term of office, could exercise no positive judgment in the formation of the budget. Council as well as most of the other officials were directly responsible to the electorate and unless all happened to belong to the same political party no incentive for coöperation existed. In fact as was the case in Dayton for two years prior to the inauguration of the commission-manager government, there was continuous discord and strife between the executive and legislative departments because of a difference in political faith. Accusations of discrimination against the mayor's departments, whether just or unjust, were frequent, the mayor did not attend the meetings of council and was not present at budget hearings unless specially invited. Needless to state the invitations were neither numerous nor urgent.

Coupled with these conditions, which are products of the federal form of government, is the difficulty of allocating responsibility for inefficient administration. The blame is shifted from the executive to the legislative branch and vice versa, with the result that no intelligent judgment can be formed by the citizen-body.

Although partisan bickering and diffusion of responsibility are largely eliminated in the straight commission plan, yet this form of government does not lend itself readily to a scientific budget pro-

gram. The fundamental drawback of this plan of government is the combined administrative and legislative powers vested in the same body. The commission initiates and executes measures and is judge of the results accomplished. It votes itself appropriations upon data satisfactory to itself and controls expenditures made by itself. Disinterested regulation is precluded.

Furthermore, each commissioner, being an administrative head, is vitally interested in the success of his particular department and in the amount of money appropriated for his use. He will bend every effort to secure funds adequate for the production of good results, and to bring this about it will frequently be found necessary to resort to log-rolling and combining with certain of the members of the commission against the remainder.

Contrasted to both of these types of city government is the commission manager plan, where the manager is the head of the administrative phase of the government and alone responsible for the operation of the various departments. He receives the budget estimates from all the departments and by virtue of his powers can demand adequate information to substantiate the requests. These estimates with his recommendations and supporting data are presented to the commission, which after conferences with the city manager and public hearings, makes the appropriations.

Log-rolling and personal consideration in appropriating funds are precluded under this system. The manager is accountable to the commission for the successful administration of the affairs of every department; one function cannot be sacrificed to another, and everything being equal he will recommend appropriations to the relative urgency and importance of the work to be done. The commission is disinterested in so far as the individual departments are concerned and no commissioner is identified with any particular subdivision of the city government. Being accountable as a whole to the electorate for an efficient administration of all the departments, the commission will apportion funds in such manner as to produce the most desirable results for the community considered as a unit.

The possibility of sacrificing judicious appropriations because of friction between the legislative and executive branches is eliminated because the continued employment of a city manager signifies harmonious relationships between him and at least a majority of the commission.

By having the department heads responsible to him and removable by him, the city manager controls expenditures. Frequent cabinet meetings such as are held in Dayton and reports of current appropriation balances enable the manager to keep in close touch with the progress of the work and with the adequacy of funds. He is then in a position to make curtailments and to recommend increases as the occasion presents itself.

While the commission manager plan seems to be the best medium for efficient administration in city government, material progress can be made only through the continued interest in public affairs by the citizen-body. The increased purchase value of the public dollar in the commission manager cities is the outcome of placing responsibility for spending the money, on one man, to whom the public turns for results. Such, at least, is the case in Dayton where as never before are the acts of the city officials being followed. As soon as the public demands to know where the money is coming from and how and why it is being spent, budgets will be gotten up and the information needed to interpret budgets intelligently will be supplied.

Recent events point to just such developments in city government. The injection of the business man into municipal affairs, the strengthening conviction that administering a city is a specialized business and requires specialists, the growing conception that city business is a matter of dollars and cents and not of bosses and parties, will all contribute to the dispersion of the air of mystery which has surrounded municipal government and to the introduction of those methods which have made private business in this country so eminently successful.